

REPORT ON THE NON-BANKING FINANCIAL MARKETS TRENDS

Monthly report developed by Strategy and Financial Stability Directorate
and Communication and Financial Education Directorate within ASF

July 2023



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ASF MEASURES ON THE FUNCTIONING OF SUPERVISED NON-BANK FINANCIAL MARKETS



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- Draft Instruction amending Annex No. 1 to the Financial Supervisory Authority Instruction No. 2/2016 on the preparation and submission of half-yearly accounting reports by entities authorised, regulated and supervised by ASF - Financial Instruments and Investments Sector, as well as by the Investor Compensation Fund;
- Draft Rule amending and supplementing Rule no. 22/2016 on the authorisation to set up a pension company and the authorisation to manage privately managed pension funds;
- Draft Rule amending and supplementing Rule no. 23/2016 on the authorisation to set up a pension company and the authorisation to manage voluntary pension funds;
- Draft Regulation amending Article 13 para. (12) of the ASF Regulation no. 20/2017 on motor insurance in Romania.

DECISIONS ADOPTED BY THE ASF COUNCIL

- ESMA notification on the intention to apply four ESMA Guidelines issued under mandates pursuant to Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties (CCPs);
- Notification to the European Supervisory Authority EBA on ASF's intention to comply with the Guidelines on the use of remote customer onboarding solutions under Article 13(1) of Directive (EU) 2015/849.



Digital

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DECISIONS FORWARDED FOR PUBLICATION IN THE OFFICIAL JOURNAL

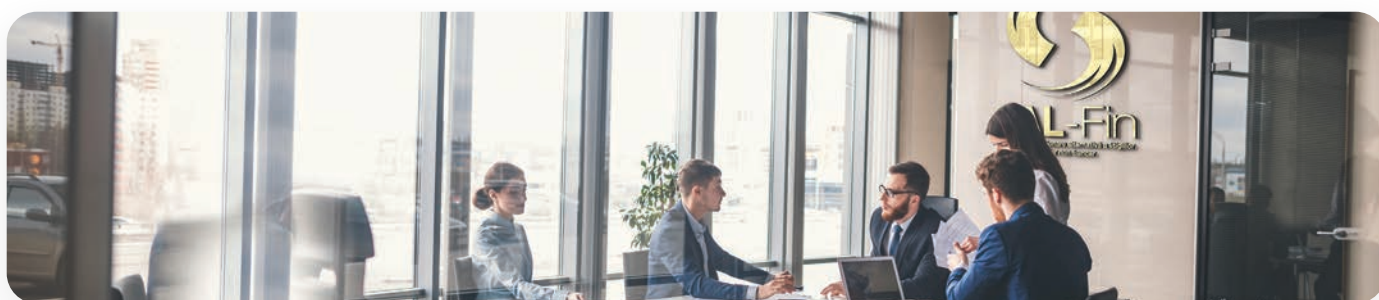
- Regulation on the establishment of thresholds in application of Article 3 of on a pilot regime for market infrastructures based on distributed ledger technology, and amending Regulations (EU) No. 600/2014 and (EU) No. 909/2014 and Directive 2014/65/EU and on the application of ESMA's Guidelines on standard forms, formats and templates to apply for permission to operate a DLT market infrastructure;
- Instruction to amend Annex No. 1 to the Financial Supervisory Authority Instruction No. 2/2016 on the preparation and submission of half-yearly accounting reports by entities authorised, regulated and supervised by ASF - Financial Instruments and Investments Sector, as well as by the Investor Compensation Fund.

REGULATION OF THE CRYPTO-ASSET MARKETS

Regulation (EU) 2023/1114 of the European Parliament and of the Council on markets in crypto-asset (MiCA) has been published in the Official Journal of the EU. MiCA will apply from 30 December 2024 and will protect investors by increasing transparency and implementing a comprehensive framework for crypto-asset issuers and service providers. Given the complex obligations and the broad scope covered by this legislation, but also the fact that its

application requires the involvement of both non-bank financial authorities and central banks, as well as other authorities with expertise in IT and consumer protection, and other institutions that already have competences in this area, ASF has initiated discussions at technical level with the NBR and other authorities in order to carry out the preparatory steps for the application of this legislation.

SAL-FIN JOINS THE EUROPEAN CROSS-BORDER NETWORK FIN-NET



SAL-Fin, the Non-Banking Alternative Dispute Resolution Entity in the Financial Sector, organised within the Financial Supervisory Authority, was recently accepted by the European Commission to be part of FIN-NET. SAL-Fin is the only alternative dispute resolution entity in Romania accepted by the European Commission to join FIN-NET, as it fulfils all the conditions required for membership. FIN-NET was set up by the European Commission in 2001 to promote cooperation between alternative dispute

resolution entities in the field of financial services and to provide consumers with easily accessible alternative dispute resolution procedures for cross-border disputes involving financial services. The network also aims to identify and popularise best practices among its members through training and exchange of experience. FIN-NET currently has 61 members from European Economic Area countries and 6 affiliated members from outside the European Economic Area.

SUMMARY



Hidroelectrica (H2O) has successfully completed the largest initial public offering (IPO) ever conducted on the Bucharest Stock Exchange (BVB), in a transaction that attracted a total of RON 9.28 billion (EUR 1.87 billion or USD 2.04 billion) for 89.7 million shares representing 19.94% of the total number of shares. Hidroelectrica's offer, conducted on BVB between 23 June and 4 July 2023, has thus become the largest offer in Europe and the third largest in the world taking into account the IPOs conducted so far this year.

The market capitalisation increased by 39.3% on 21 July 2023 compared to the end of 2022, as a result of Hidroelectrica going public after the successful completion of the largest IPO on the Bucharest Stock Exchange worth EUR 1.9 billion.

The annual CPI inflation rate stood at 10.25% in June 2023 compared to June 2022. Significant contributions to the annual inflation rate were made by increases in food prices (+17.88%), non-food prices (+4.84%) and services (+11.50%), according to data published by the NSI.



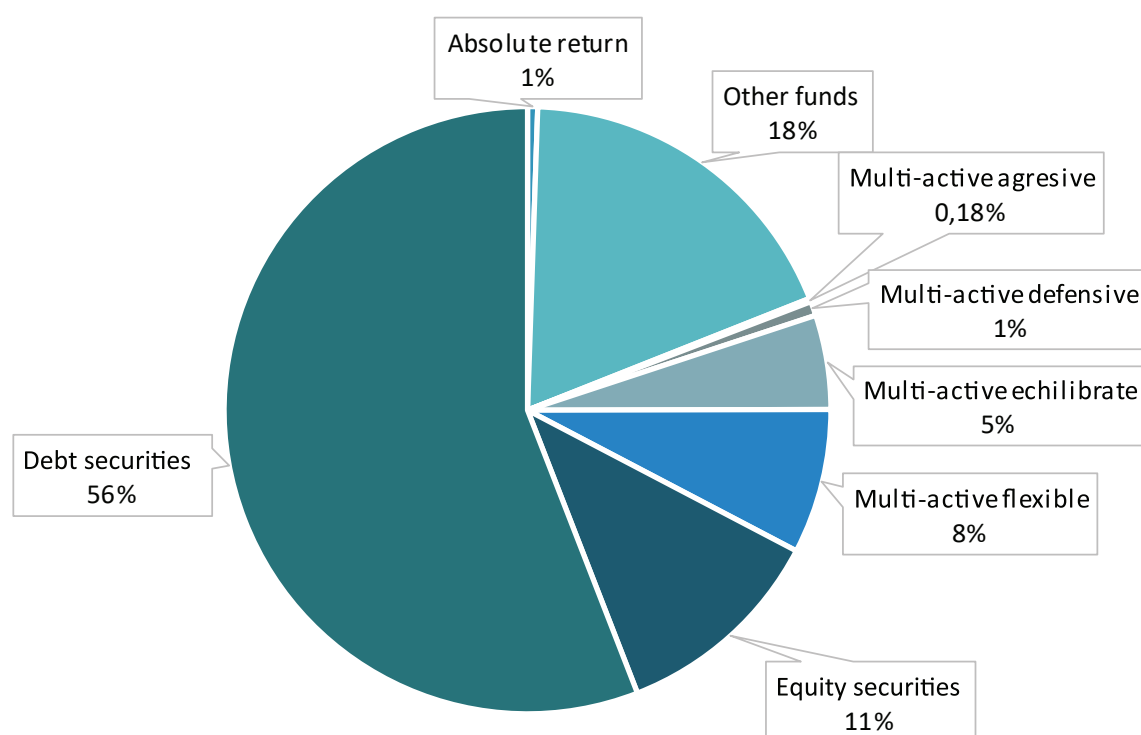
In Romania, the economic sentiment indicator is higher than the EU average (93.6 points), standing at 100.4 points in July 2023, down from June 2023. In Romania, confidence in the services sector increased by 1.1 points compared to the previous month.

The International Monetary Fund (World Economic Outlook, July 2023) has revised upwards its estimate of global economic growth for 2023 to 3% (from 2.8% in the forecast published in April 2023). For the US, GDP growth forecast for 2023 has been revised up by 0.2 percentage points: from 1.6% in the April 2023 estimate to 1.8% (in the July 2023 projection). For the euro area, GDP growth in 2023 has been revised upwards by 0.1 percentage points: from 0.8% in the April 2023 forecast to 0.9% (based on the July 2023 projections). For Romania, GDP growth in 2023 has been revised upwards by 0.7 percentage points: from 2.4% in the April 2023 forecast to 3.1% (based on July 2023 projections).

CAPITAL MARKET TRENDS



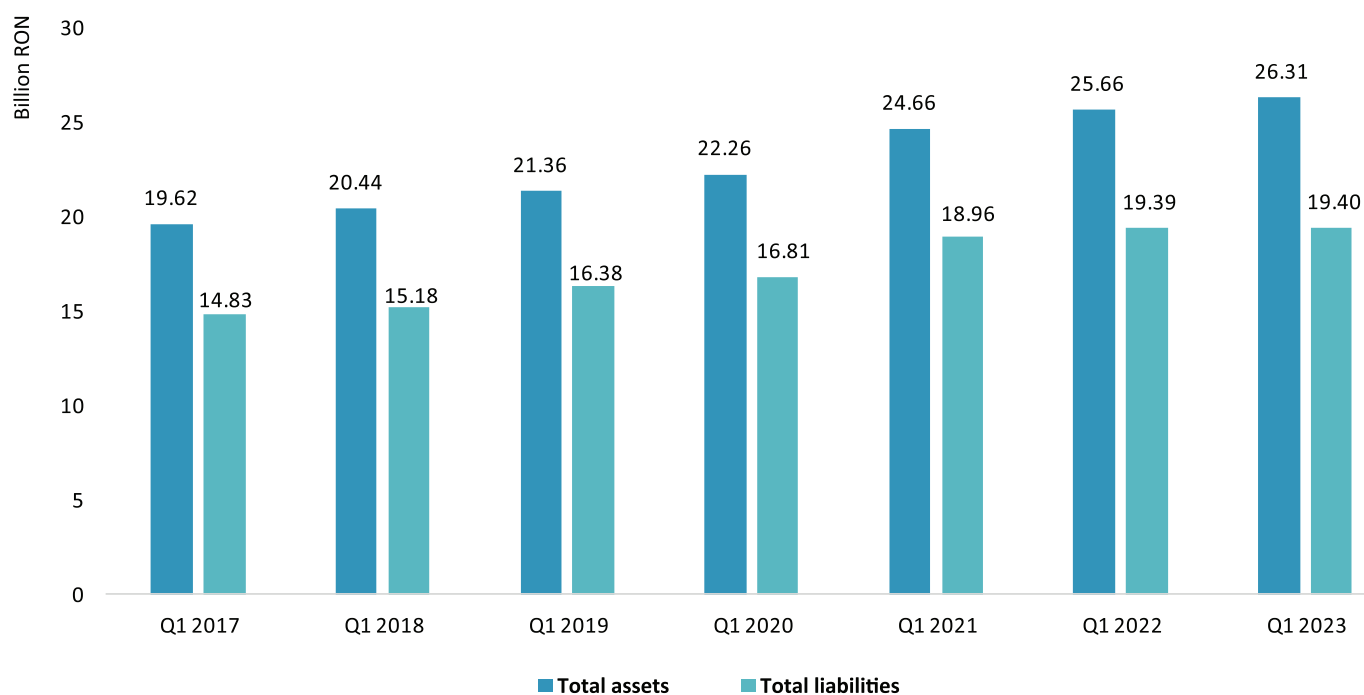
UCITS market share by investment policy and net assets (31.03.2023)



The highest share of UCITS' combined net assets is held by debt funds, at around 56%.

INSURANCE MARKET TRENDS

Evolution of total assets and liabilities of insurance companies

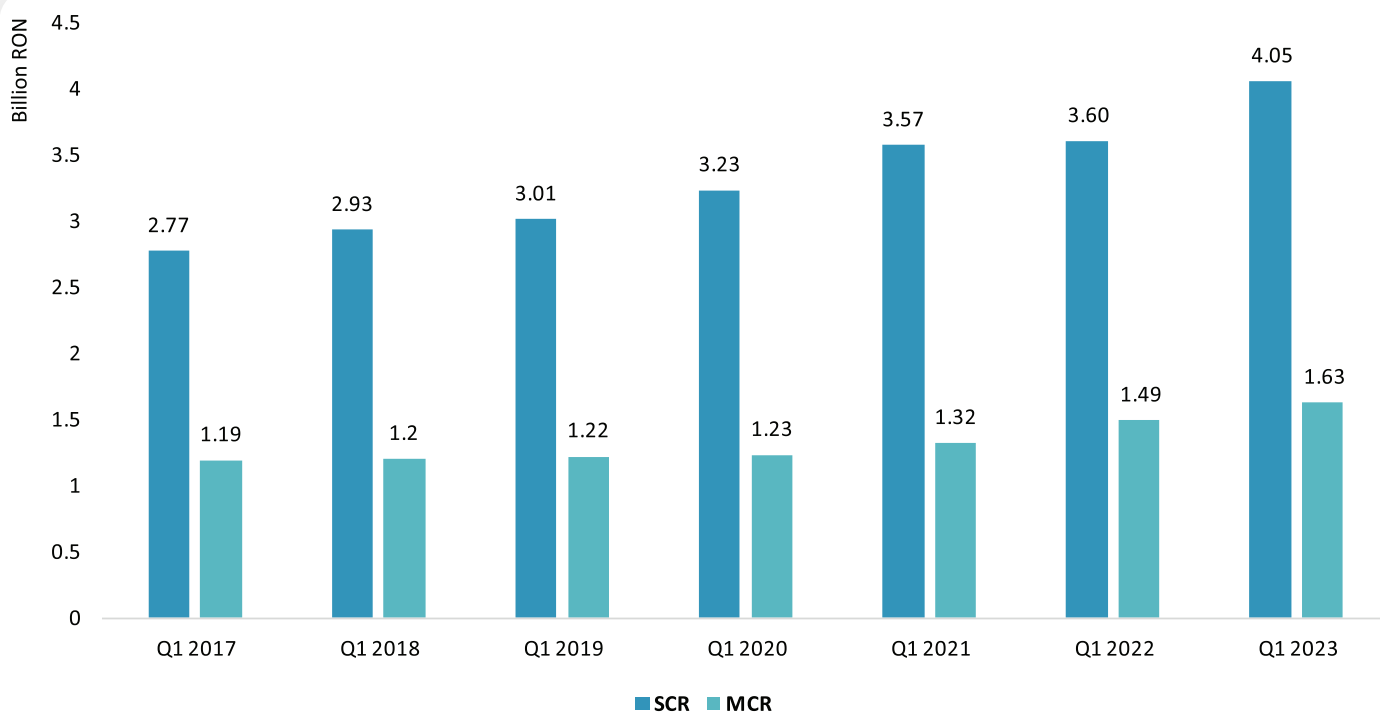


At the end of Q1 2023, the value of assets (measured according to Solvency II principles) increased by 2.5% compared to the same period last year. Total liabilities remained at a relatively similar level, increasing by only 0.1%.

* Euroins Romania data for Q1 2023 are not included



Evolution of the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR)



A comparative analysis between the situation at the end of March 2023 and the situation at the end of March 2022 shows an increase in the Solvency Capital Requirement (SCR) of about 12.5% and an increase of about 9% in the Minimum Capital Requirement (MCR).

TRENDS ON THE PRIVATE PENSIONS MARKET



Private pension market indicators

Investment portfolio (PII)	Investment portfolio (PIII)
91.95% investment in ROMANIA	95.27% investment in ROMANIA
6,.05% investment in EU countries	4.37% investment in EU countries
Government securities: 63.26% of total assets	Government securities: 65.82% of total assets
Shares: 20.58% of total assets	Shares: 22.72% of total assets

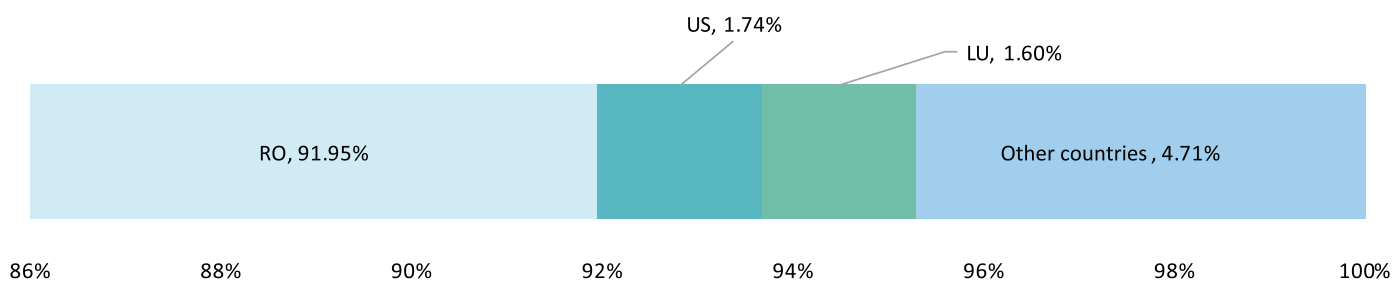
30 June 2023

At the end of June 2023, private pension funds (Pillar II and Pillar III) accumulated total assets of RON 114 billion, 2% more than at the end of May 2023, against the backdrop of recent developments in local and European financial markets.

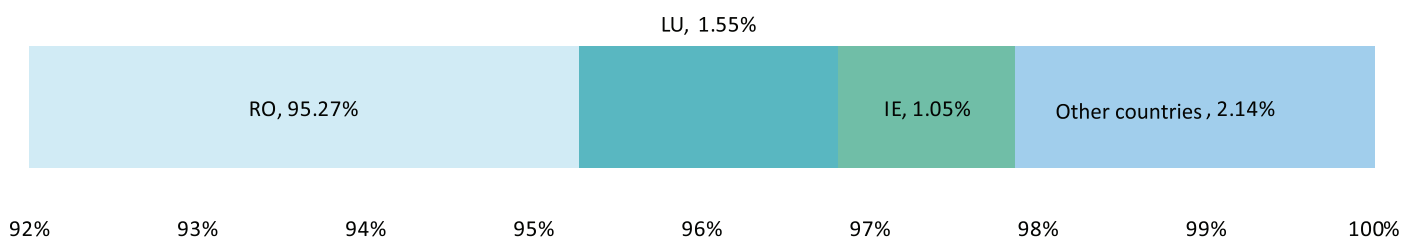
Private pension investments are mostly based on Romanian assets, denominated in RON.



Country exposure of Pillar II funds' assets



Country exposure of Pillar III funds' assets



63% of government securities are in the investment portfolio of Pillar II pension funds and 66% in the portfolio of Pillar III pension funds in June 2023.

INDICATORS ON THE NON-BANK FINANCIAL MARKETS

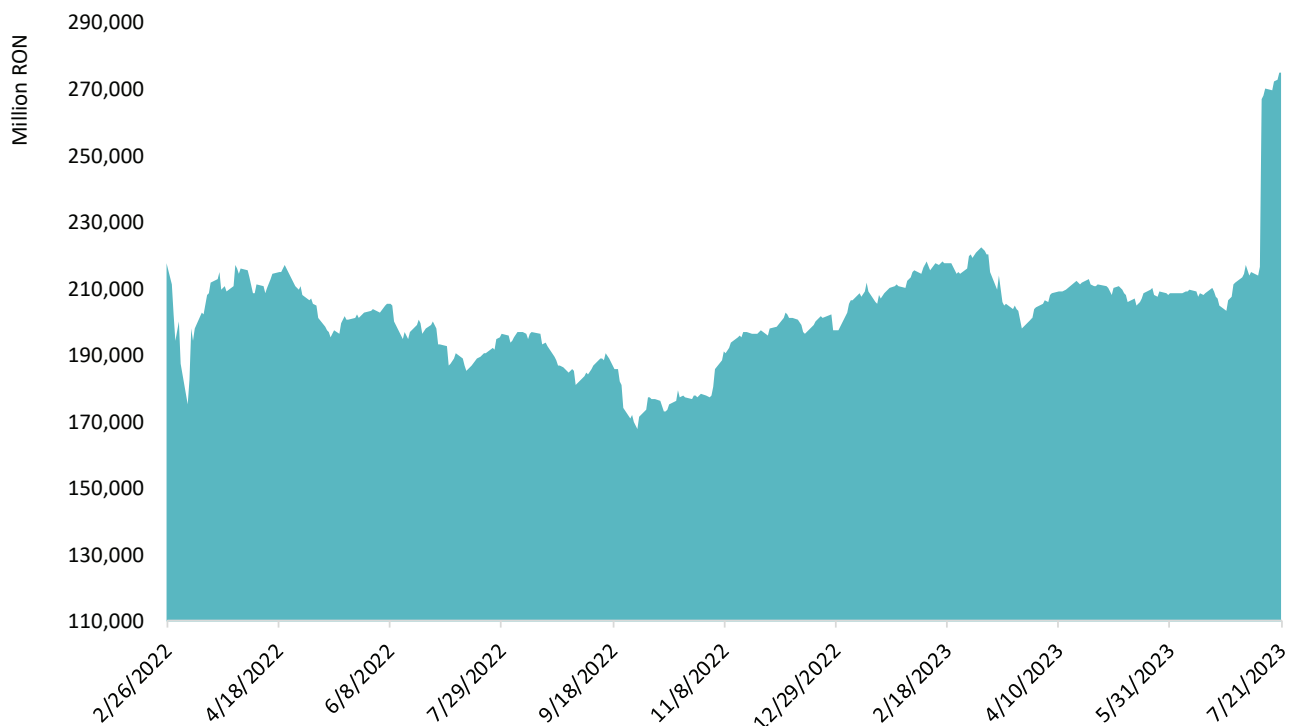
Evolution of stock market indices (30.12.2022 = 100)

Data		BET	BET-BK		
21.07.2023		13.43%	12.54%		
BET-FI	BET-NG	BET-TR	BET-TRN		
-2.88%	18.56%	17.46%	17.11%		
BET-XT	BET-XT-TR	BET-XT-TRN	BETAeRO	BETPlus	ROTX
12.26%	16.22%	15.89%	10.59%	12.67%	12.80%

Local indices recorded positive developments compared to the end of 2022, with the exception of the BET-FI index (-2.88%). The largest increase was observed in the BET-NG index (+18.56%), followed by the BET-TR index (+17.46%).

Source: BVB data, ASF calculations

Market capitalisation (shares)



Market capitalisation increased by 39.3% on 21 July 2023 compared to the end of 2022.

Sursa: date BVB, calcule ASF